AR52

Campbell Red Lake Mines Limited

1980 Annual Report

Annual Meeting

The Annual and General Meeting of Shareholders will be held in the Alberta Room, Royal York Hotel, Toronto, Ontario on May 8, 1981 at 9:30 a.m. (Toronto time).

Contents

View of the Campbell headframe at Balmertown.

COMPARATIVE HIGHLIGHTS

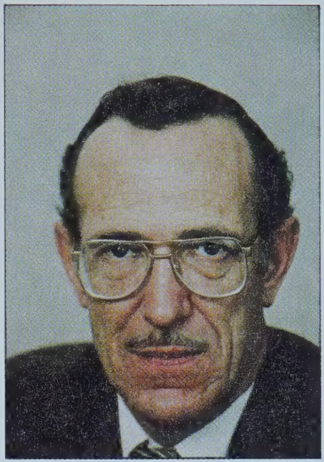
		1980	1979	1978
Financial Operations	Revenue	**$138,795,000**	$70,055,000	$42,138,000
	Operating costs	**$18,139,000**	$13,211,000	$11,644,000
	Income and mining taxes	**$72,100,000**	$34,809,000	$17,910,000
	Net income	**$57,523,000**	$27,319,000	$17,009,000
Financial Position	Working capital	**$25,275,000**	$36,062,000	$24,793,000
	Shareholders' equity	**$98,435,000**	$60,910,000	$45,989,000
Per Share	Net income	**$3.60**	$1.71	$1.06
	Dividends	**$1.25**	$0.77½	$0.62½
Production	Fine ounces of gold	**189,536**	185,005	183,546
	Tons milled	**304,000**	300,000	301,000
Statistical Data	Number of employees	**382**	342	338
	Number of shareholders	**9,202**	7,547	6,725
	Shares outstanding	**15,998,000**	15,998,000	15,998,000

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Earnings and production

The year 1980 was again one of record revenue and earnings for the Company. Net income increased by 111 percent to $57,523,000 or $3.60 per share from $27,319,000, or $1.71 per share earned in 1979.

The price of gold was the dominant factor in the earnings increase. It opened the year at $559.00 U.S. per ounce, rose rapidly to peak at $850.00 on January 21, declined to a low of $474.00 on March 18, then commenced a gradual increase to reach a secondary high of $720.50 on September 23 and subsequently declined to close out the year at $589.50 U.S. per ounce. The average price received on all sales during the year was $719.20 Canadian per ounce as compared to $378.66 per ounce in 1979 and $229.58 in 1978.



Malcolm A. Taschereau,
Chairman and President

The plant expansion undertaken in 1978 to increase production by 30 percent has been completed on time and within budget and will contribute to earnings commencing in 1981. Surface and underground development on the property is continuing in order to assess the appropriate level of future operations.

Safety

During the year, public attention focussed on a sudden increase in fatal accidents in the mining industry in Ontario. While the record of your Company has always compared favourably with the industry average, added emphasis is being placed on improving safe working conditions and practices.

Outside mineral exploration

Mineral exploration in most instances involves a significant time lag between the initial grass roots effort and the identification of a potentially economic deposit. During the past decade, the Company has conducted an ever increasing level of exploration activity with positive results now beginning to appear. Two gold deposits are of particular interest, one in northwestern Ontario and the other in the Cariboo district of central British Columbia. The Ontario project, a joint-venture managed by Dome Exploration (Canada) Limited, is currently under development with drill-indicated reserves exceeding one million tons grading approximately 0.2 ounces of gold per ton and with further potential. On the property in British Columbia, a drill-indicated reserve of 750,000 tons grading 0.2 ounces of gold per ton has been outlined to date. Further surface work is contemplated prior to any decision regarding underground development.

Detour Lake

The Detour Lake project is well under way and Campbell and Dome Mines have earned their respective 25 percent interests through the expenditure of $5,000,000. Approval of the participants was obtained early in 1981 for the expenditure during the year of $23,000,000. The total cost of the construction program is estimated to be $143,000,000 with commencement of production scheduled for late 1983.

Oil and gas

During 1980, Campbell embarked upon a program of investment participation in oil and gas in Western Canada. This investment constitutes a new area of business for Campbell, separate and distinct from its primary business of gold mining. Under the program, which involves both producing and non-producing properties, Campbell participates to the extent of 4 percent. The other participants are Sigma Mines (Quebec) Limited (1 percent), subsidiaries of Dow Chemical of Canada Limited (12½ percent) and TransCanada PipeLines Limited (12½ percent) and Dome Petroleum Limited (70 percent) which will act as operator of the program.

Outlook

Experience, particularly during the past year, has indicated that wide fluctuations in the price of gold will continue to occur. However, it remains a firm belief of the Company that the median market price will rise at a pace which, due to gradual depletion of total world reserves, will somewhat exceed the rate of inflation. The profitability of current operations and development projects are not jeopardized at current price levels and are proceeding as planned.

Dividends

The increased profitability of the mine operation again permitted an increase in dividend rates. The total declared during the year rose to $1.25 per share as compared to $0.77½ per share in 1979.

Employee benefits

Continuing a plan implemented in 1979, the Company again purchased its own shares on the open market for distribution to its non-executive salaried and hourly employees at no cost to them. All reports indicate this program has been well received and has increased our employees' interest in the efficient operation and growth of the Company.

The Company's regular and salaried pension plans were adjusted early in 1981 to improve the benefits available to both active and retired employees. This was the second such adjustment made to take into account the effects of inflation, particularly on our retired members living on fixed incomes.

Management and staff

Two additions to senior management were made during the year as a result of the expanding nature of the group's operations. Mr. Kenneth P. Wright was appointed Chief Metallurgist and an officer of the Company. Mr. Kenneth J. Hill was appointed Project Manager of the Detour Lake project. Support staff have also been added and larger office space has been taken in new premises.

Directors

The Company lost an experienced Director with the passing of Jack K. McCausland, who had served with distinction since 1952. Mr. McCausland's financial mind and sound judgment commanded the utmost respect.

Acknowledgements

The Directors gratefully acknowledge the results achieved by management and staff throughout the year and thank all employees for their contributions to the Company. Production targets for the year were achieved despite a shutdown due to evacuation of all residents of Balmertown for an eleven-day period as a result of a major forest fire in the immediate vicinity of the town. The Directors appreciate the response of all employees and their families for their efforts in minimizing the resulting downtime of mine operations.

M. A. TASCHEREAU
Chairman and President

March 19, 1981.

REVIEW OF MINE OPERATIONS

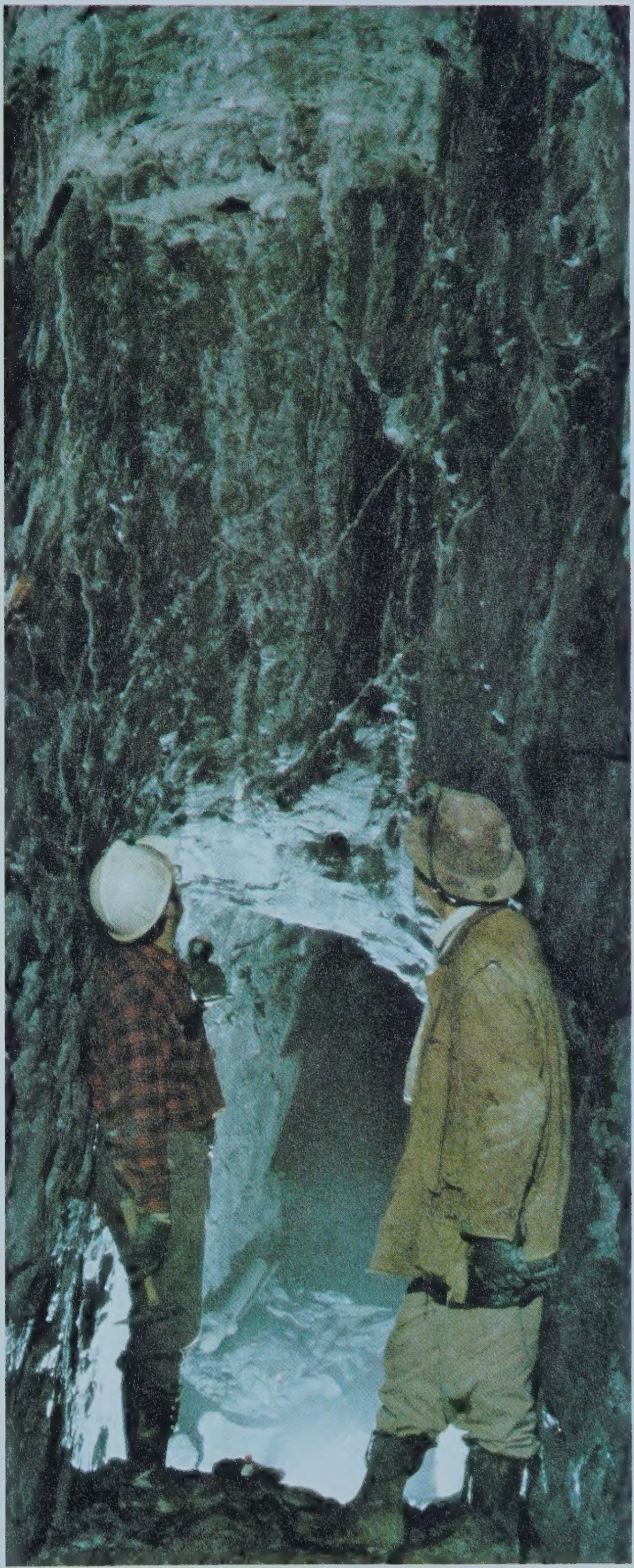
	1980	1979	1978
	(in thousands of dollars)		
Bullion revenue	$136,314	$70,055	$42,138
Operating costs	$16,708	$13,211	$11,644
Income and mining taxes	$72,100	$34,809	$17,910
Net income	$57,523	$27,319	$17,009
Fine ounces of gold	189,536	185,005	183,546
Tons milled	304,000	300,000	301,000
Grade treated — ounces/ton	0.638	0.656	0.653

The mill produced 189,536 ounces of gold in 1980 from 303,797 tons of ore, compared with 185,005 ounces from 300,178 tons last year. The number of ounces produced was higher than would otherwise have been the case as a result of the recovery of gold from equipment taken out of service as part of the expansion program. This additional recovery more than offset production lost in May from an eleven-day shutdown due to forest fires threatening the Red Lake area.

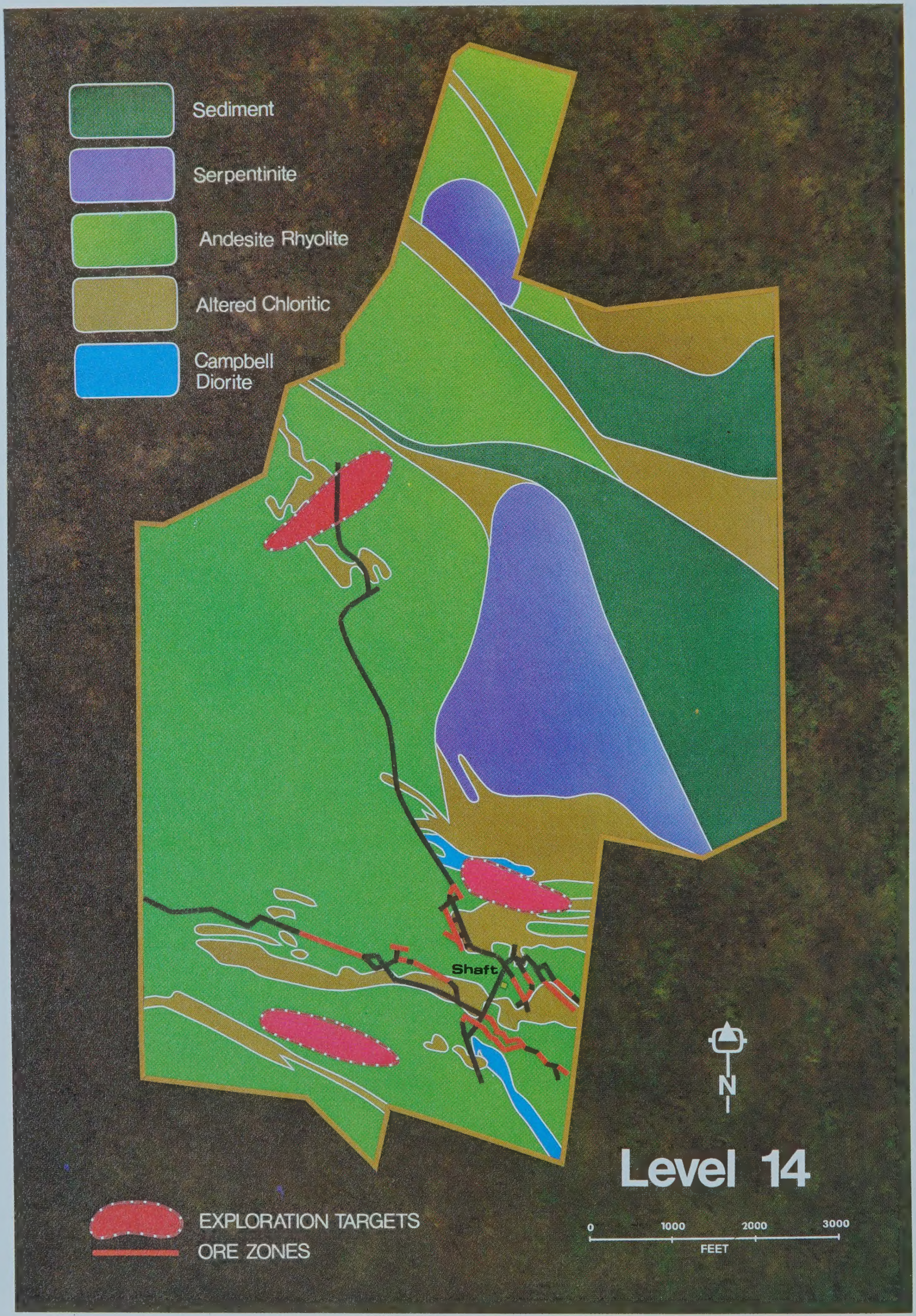
The construction of all facilities for the expansion program was completed on schedule and within budget. The preparation of additional mining areas is now well under way and mine production will be increased gradually throughout the year. In 1981, the mine is expected to produce 365,000 tons of ore from which 203,000 ounces of gold will be recovered. The operation will be at full capacity throughout 1982 with production scheduled to be 212,000 ounces from 390,000 tons of ore.

Mine operating costs per ton increased 25 per cent in 1980 to $55.00 per ton milled. In addition to higher costs due to inflation, increased activities underground and on surface were required to support the expansion program. Depreciation, marketing and Toronto office costs also increased during the year. Unit costs per ton by principal activity are as follows:

	1980	1979
Development	$ 8.99	$ 7.56
Mining	19.16	15.13
Milling	10.09	8.72
Plant, administration and other	16.76	12.59
	$55.00	$44.00



Mine supervisors examining a shrinkage stope at Campbell.


Sediment
Serpentinite
Andesite Rhyolite
Altered Chloritic
Campbell Diorite
Shaft
N
Level 14
EXPLORATION TARGETS
ORE ZONES
0
1000
2000
3000
FEET

Mine property exploration

The surface exploration program initiated in 1979 continued through 1980 with 23,936 feet of diamond drilling to probe previously untested areas, test geophysical targets and extend information obtained from earlier surface drilling programs. Drill-indicated ore at the first level has been exposed by underground development and has proven to be of mine grade. Further drilling and development is planned for 1981.

Underground drilling increased from 45,145 feet in 1979 to 46,580 feet in 1980. Three areas of significance have been identified, and development programs to examine their potential will be initiated in 1981.

A planned 5,000 foot exploration drive to the northwest on the 7th level to investigate the old H. G. Young area could not be started during 1980 as all skilled miners were required for development activities related to the expansion program. Because a significant amount of information was already available from diamond drilling down to the 7th level it has been decided to drive to this area on the 9th level instead, in order to extend knowledge of the zone as much as possible at the early stages of the exploration program.

The second area of interest lies 1,000 feet to the north of the shaft in the general vicinity of the G Zone. Diamond drilling to date has indicated continuity from the 14th to the 8th level and the zone is open on the top and bottom. Further diamond drilling is scheduled in 1981 and development on the 12th level is planned.

A single vein structure has been indicated by wide spaced diamond drilling to the south. As these holes are over 1,000 feet long the next step will be to drive to the area on the 14th level to investigate the occurrence by drifting on the structure. The possibility of vertical extensions has not yet been investigated on other levels.

14th level plan illustrating the location of current mining and major exploration targets.

Development

The 1980 lateral development program of 7,402 feet was primarily directed towards the development of additional ore reserves. The level of activity was the same as in the prior year when 7,406 feet of drifting and crosscutting were completed. Raising, however, increased from 1,971 feet in 1979 to 2,680 feet in 1980. Additional crews will be added in 1981 to investigate the new areas outlined by the diamond drilling program although priority will continue to be given to stope preparation and development.

Details of development and diamond drilling completed during the year are presented in Table I.

Ore reserves

Proven ore reserves as of December 31, 1980 were estimated to be 2,250,200 tons at an average grade of 0.617 ounces per ton. This represents an increase of 273,700 tons during the year. The planned drop in mine grade from the 0.657 ounces per ton reported last year reflects the development

TABLE I

	Development Footage			
Level	Drifts and Crosscuts	Raises	Total	Diamond Drilling Footage
Surface	—	—	—	21,019
1st	702	—	702	1,449
3rd	941	—	941	—
4th	—	—	—	5,041
5th	16	—	16	904
6th	994	—	994	1,226
7th	539	—	539	276
8th	26	135	161	2,553
9th	—	—	—	3,630
10th	—	—	—	913
11th	571	—	571	—
12th	322	—	322	1,605
13th	—	187	187	—
14th	143	—	143	11,822
15th	598	714	1,312	2,760
16th	315	894	1,209	7,388
17th	280	31	311	3,138
18th	1,411	376	1,787	234
19th	147	343	490	3,334
20th	—	—	—	307
21st	397	—	397	—
Total 1980	7,402	2,680	10,082	67,599
Total 1979	7,406	1,971	9,377	53,062

of lower grade material. A summary of ore in place, broken ore and total extraction by level is shown in Table II.

TABLE II

Level	Ore Reserves: Tons in Place	Ore Reserves: Average Grade (oz./ton)	Ore Reserves: Tons Broken Ore	Cumulative Tons Extracted
1st	1,600	0.535	—	260,004
2nd	4,500	0.535	900	349,554
3rd	8,400	0.583	1,400	423,187
4th	20,100	0.550	2,200	572,537
5th	24,100	0.601	14,900	681,652
6th	68,500	0.723	17,000	588,222
7th	46,400	0.598	12,700	793,216
8th	35,500	0.600	1,700	747,001
9th	30,900	0.731	1,100	572,433
10th	50,300	0.670	36,400	540,389
11th	198,900	0.461	6,700	284,121
12th	83,900	0.760	48,300	244,470
13th	195,200	0.725	12,800	194,967
14th	185,300	0.690	5,500	234,461
15th	201,600	0.606	27,200	244,266
16th	258,600	0.596	11,200	75,208
17th	242,500	0.634	1,100	20,590
18th	159,900	0.580	900	43,819
19th	138,900	0.568	3,100	24,147
20th	42,800	0.573	400	21,216
21st	46,100	0.482	700	9,249
Total Dec., 1980	2,044,000	0.617	206,200	6,924,709
Total Dec., 1979	1,813,700	0.657	162,800	6,664,529

Mine

The mine hoisted 303,797 tons of ore, of which 260,180 tons were from primary stope production and 43,617 tons were from development. The stoping grade averaged 0.686 ounces per ton and development grade was 0.349 ounces per ton. In preparation for the mill expansion, the mine broke 43,400 tons more than the mill required in 1980. The distribution of ore by mining method for the past two years is as follows:

	1980	1979
Cut-and-fill	**34%**	34%
Shrinkage	**52**	53
Development	**14**	13
	100%	100%

The new service hoist was installed during the year providing extra man-hoisting capacity and increasing the available time on the skip hoist for the extra ore handling capability required. As part of the hoist installation program, modifications were made to the headframe and major replacements of shaft timber and services were undertaken.

S. M. Reid
Mine Manager

Mill

The mill operated satisfactorily during the year and further improvements were made in gold recovery which increased from 94.0% in 1979 to 94.2% in 1980. The new grinding section put into operation in October enabled an increase in tonnage sufficient to offset the eleven days of production loss during the shutdown in May due to forest fires.

The removal of a classifier from the circuit yielded approximately 7,000 ounces of gold which had built up over the years and which are not included in the grade of ore treated. This unit was replaced by cyclones which are free from any gold build-up. By year end the mill expansion was complete, except for a new flotation circuit which was put into service in February, 1981.

Production information for 1979 and 1980 is presented below:

	1980	1979
Tons treated	**303,797**	300,178
Tons per calendar day	**830**	822
Ounces produced	**189,536**	185,005
Grade treated (oz./ton)	**0.638**	0.656
Recovery (%)	**94.2**	94.0

Capital expenditures

Capital expenditures for the year totalled $7,417,000 including $6,143,000 for the expansion. Expenditures are summarized below:

	1980	1979
Regular		
Mine	**$ 131,000**	$244,000
Mill	**151,000**	170,000
Surface	**992,000**	132,000
	$1,274,000	$546,000
Expansion		
Mine	**$ 245,000**	$ 118,000
Hoist and shaft	**1,917,000**	602,000
Mill	**1,930,000**	978,000
Housing	**1,599,000**	876,000
Other	**452,000**	429,000
	$6,143,000	$3,003,000

Included in regular surface additions is $500,000 for an addition to and renovations of the main office building which was completed early in 1981. In addition to expansion projects in the mining and milling areas, thirty housing units were completed in 1980.

Major expenditures planned for 1981 include a new refinery, an addition to the mine dry to provide space for a new first aid room and training facilities, 17 houses, a community swimming pool and additional recreational facilities.

Staff changes

During the year three senior staff employees retired. Mr. V. J. Fulton retired as Office Superintendent after 33 years with Campbell, Mr. K. Dickson as Mill Superintendent and Mr. K. Hill retired as Assistant Mill Superintendent. These three men made significant contributions to operations over the years. Mr. Roy Toffanello has been promoted to Chief Accountant, Mr. Scott Roberts to Mill Superintendent and Mr. Keith Hunkin to Chief Assayer. Mr. Bob Boylan has been appointed Underground Superintendent and Mr. Dennis Molloy joined the staff as Assistant Mill Superintendent.

Map of the mine sites and the Detour Lake property.

Manpower

Safety in the mining industry is a continuing area of concern. Campbell's record has always been excellent in comparison to industry averages but increased effort and attention is being paid to ensuring that safe working conditions are provided and that safe working practices are followed in all areas of the operation.

Total manpower increased from 342 employees in 1979 to 382 as of December 31, 1980. A further ten underground miners are required. Wages and salaries and other major items are listed below:

Wages and salaries	$7,425,000
Supplies and services	$7,997,000
Income and mining taxes	$72,100,000

Three employees qualified for induction to the Quarter Century Club, bringing total membership to thirty-six.

OUTSIDE MINERAL EXPLORATION

Campbell participates (with minor exceptions) in all mineral exploration carried out by Dome Exploration (Canada) Limited. The degree of participation depends on the date on which the project originated and also on its location, as indicated in the following table:

	Projects Originating			
	Prior to Jan. 1, 1977	After Jan. 1, 1977		
		Ontario	Quebec	Elsewhere
Dome Mines Limited	40%	50%	Nil	50%
Dome Petroleum Limited	33%	Nil	Nil	Nil
Campbell Red Lake Mines Limited	21%	50%	Nil	40%
Les Mines Sigma (Québec) Limitée	6%	Nil	100%	10%

Diamond drilling on a tin prospect in the Yukon Territories.

In certain defined areas, close to the mine, Campbell carried out exploration on its own account. During 1980 a program of geophysical surveys and drilling was started on a nearby property and this work will continue into 1981.

As a result of a substantial increase in exploration carried out by Dome Exploration, Campbell's exploration exposure increased greatly during 1980. In fact, Dome Exploration's level of activity increased by 97 percent to $5,908,000, excluding work on the Detour Lake project.

During the year Dome Exploration initiated 32 new projects, raising the number of active projects to 79, including participation with outside interests in joint ventures. As in prior years, all base and precious metals were included in the search although the emphasis was on gold, our particular sphere of expertise. About 92 percent of expenditures were in Canada with the remainder in the United States. Projects in the provinces of Ontario and Quebec accounted for 70 percent of the total with emphasis being placed on areas near our producing mines.

The 1980 program included 4,000 line miles of airborne geophysical surveys (1979 — 2,300 miles), 930 miles of ground geophysics (1979 — 370 miles) and more than 300 drillholes totalling 171,000 feet (1979 — 150 holes totalling 62,000 feet). A total of 2,211 claims were staked, more than double the 1,040 claims staked in the prior year.

The results of the past year's efforts were encouraging, particularly on four properties on which we have been working for a number of years. Each of these four projects originated prior to January 1, 1977.

In northwestern Ontario, a significant gold occurrence was discovered after more than six years of continuous exploration on a large property on Opapimiskan Lake, approximately 80 miles north of Pickle Lake. Two zones of gold mineralization in a banded iron formation have been outlined and drill estimated reserves are in excess of one million tons of material grading 0.2 ounces of gold per ton. Dome Exploration, operator of this joint venture, has a 35 percent participating interest of which Campbell's share is 21 percent. Four diamond drills operated

Trench exposing bedrock at a gold prospect in the Quesnel River area of B.C

during the 1980-81 winter season and studies are in progress to determine the next stage of exploration and development on this most interesting deposit.

Two major drilling programs were completed in 1980 on a property in the Cariboo district of central British Columbia. To date, drill-indicated reserves of 750,000 tons, grading 0.2 ounces of gold per ton have been outlined in a compact deposit located close to surface. An extensive work program, including further surface drilling, is scheduled for early 1981.

In Quebec, a major drilling program was carried out on a gold prospect near the Sigma mine. Surface drilling is being continued in an attempt to increase present drill-indicated tonnage to a level which would justify underground exploration.

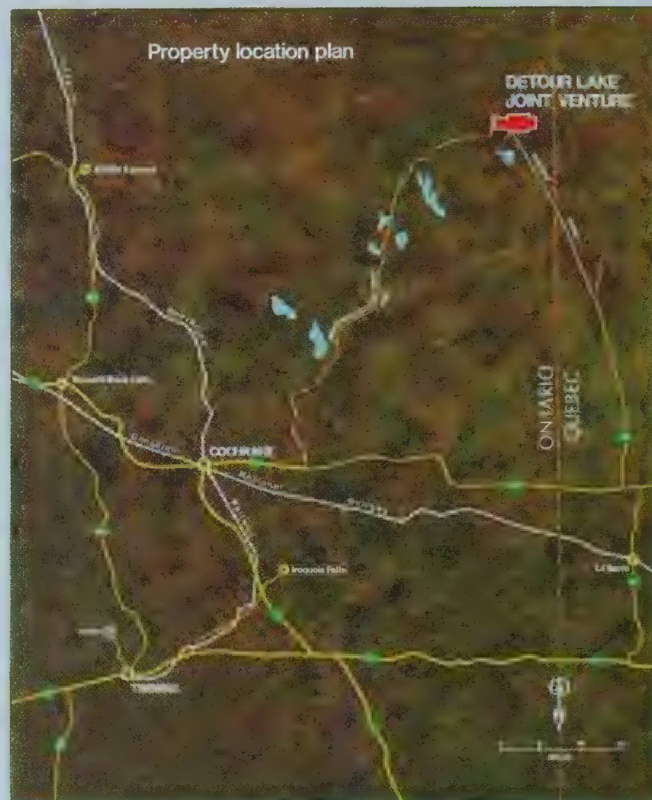
In the Yukon, participation on an equal basis with an outside partner continues in a joint venture exploring several tin prospects within a few miles of The Alaska Highway. On one of these prospects, a medium-grade skarn deposit of moderate size potential is indicated. Further work has been scheduled for the coming year.

The increased exploration activity has resulted in the need for additional staff. Ten full-time geologists and seven support staff are now employed by Dome Exploration. Field offices are located in Timmins, Ontario and Reno, Nevada. In addition, some work in the vicinity of our existing mines is carried out under the direction of the mine geologists.

DETOUR LAKE

A decision has been made to proceed with a program to develop, as a joint venture, a gold mine in the Detour Lake area of north-eastern Ontario. The development plan calls for an open pit mine to be in operation by October 1, 1983 at a milling rate of 2,000 metric tonnes per day. Current plans call for mill capacity to be increased to 4,000 tonnes per day in 1987 at which time the additional ore will be provided from an underground mine. Costs prior to start-up in 1983 are estimated to be $143,000,000.

The property is located approximately 125 miles northeast of Timmins, Ontario and 8 miles west of the Quebec border. The original claims were staked by Amoco Canada Petroleum Company Ltd. in 1974. Campbell and its parent company, Dome Mines Limited, entered into an agreement whereby each obtained the right to earn a 25 percent interest in the property through the expenditure of $5,000,000. Early in 1981, Campbell and Dome earned their combined 50 percent interest in the property. Campbell acts as operator of the work program and prepared the detailed feasibility study which formed the basis of the development plan.



Location of the Detour Lake property.

1980 Program

The purpose of the 1980 work program was to develop an understanding of the nature of the gold occurrences in the various zones and their relationship to each other. Including work begun in late 1979, a total of 3,269 meters of underground development and 9,691 meters of diamond drilling were completed by year end. To the end of 1980, Campbell and Dome had expended $4,360,000 each on the project.

Ore reserves

Three distinct types of ore have been identified. These are:

- A chert zone which is in an area of intense quartz fracturing found within and adjacent to a chert-tuff horizon and containing above average concentrations of gold and suphides.
- Quartz-fracture zones with gold values found in association with mineralized quartz veins within basaltic flows. The most significant zone lies adjacent to and in the hanging wall to the north of the chert horizon. Six other quartz-fracture zones with similar characteristics have also been identified.
- Talc-carbonate zones in the footwall of the chert-tuff horizon containing gold values in association with sulphides and minor quartz fracturing. The largest zone of this type outlined to date lies adjacent to the chert zone footwall opposite the main quartz fracture zone.

For ore reserve estimation and mine planning purposes, the talc-carbonate and the quartz-fracture zone adjacent to the chert zone have been combined with the chert zone in that area to form the Main Zone. The Main Zone dips to the north at 60° to 90° with a westerly plunge of 30° to 60°. Surface diamond drilling indicates that the Main Zone has continuity to the 550 meter (1,800 foot) level and is open to depth. On the 120 meter level, the Main Zone is 300 meters long and, on average, 40 meters wide.

Based on surface diamond drilling, ore reserves including dilution, have been estimated as follows:

	Tonnes	Grams per tonne	Ounces per tonne
Main Zone	16,041,000	4.36	0.140
Other zones	11,692,000	3.22	0.104
	27,733,000	3.88	0.125

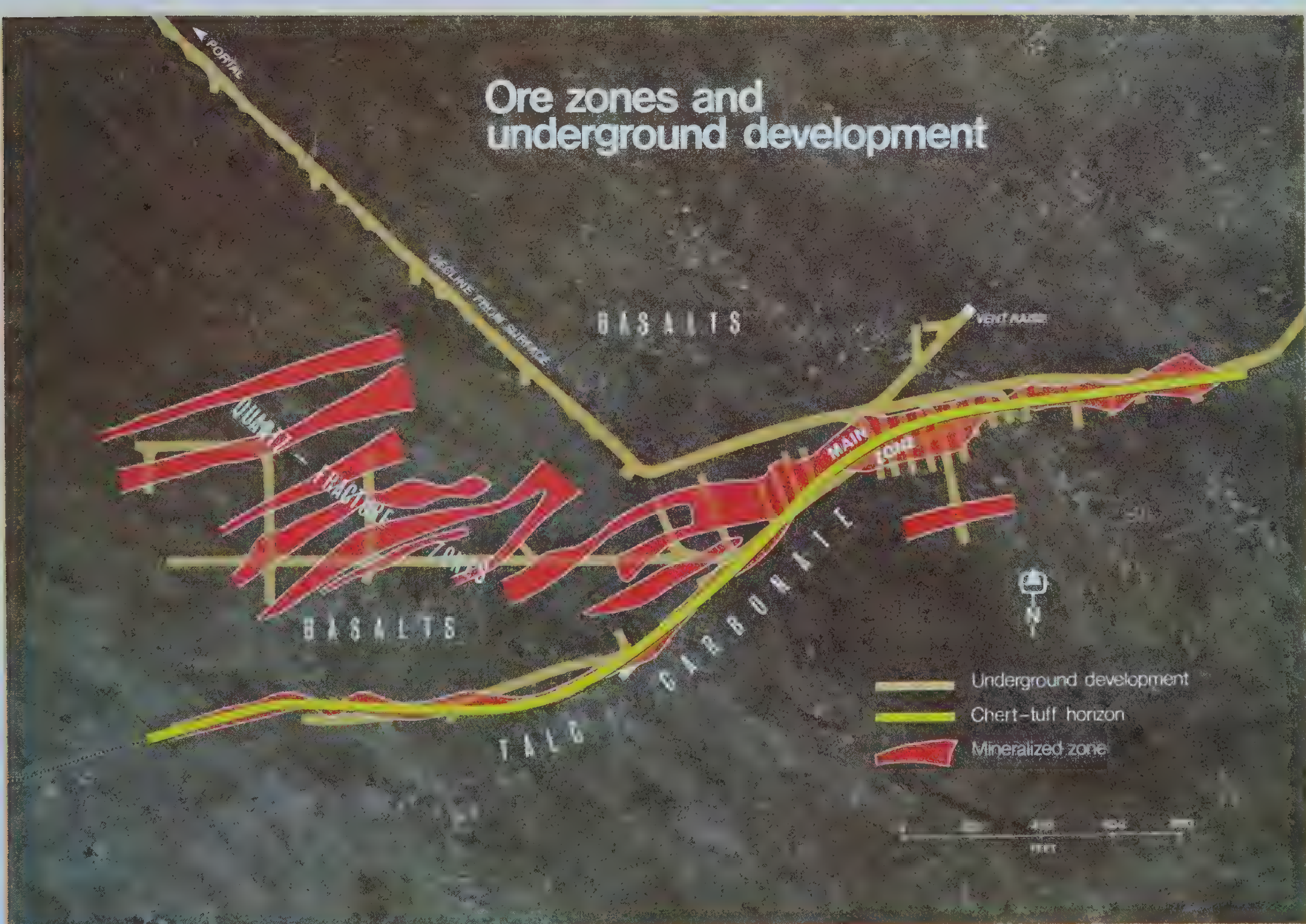
Ore estimates include 4.66 grams of silver per tonne and 0.205 percent of copper.

The probability of adding to the reserves is good.

The Main Zone is open to depth and indications of mineralization away from the defined zones provide excellent exploration targets.

Mining plans

Initially mill feed will be supplied from an open pit. At 2,000 tonnes per day, the pit has an estimated life of 5½ years to a depth of 120 meters. Average depth of overburden is approximately 15 meters. The waste to ore ratio is calculated to be 3.1:1. Pit stripping will begin early in 1982.



Ore zones and underground development at the 120 meter level of the Detour Lake property.

Mobilization for underground development will commence toward the end of 1983 with the objective of supplying ore at the rate of 2,000 tonnes per day in 1987. Underground production will be expanded to 4,000 tonnes per day once the pit reserves have been exhausted. Given the dimensions of the Main Zone and excellent rock conditions a blasthole mining method has been selected. Mine access will be provided by a five compartment, rectangular timbered shaft sunk initially to a depth of 565 meters.

Processing

Extensive testwork has shown that good gold recoveries can be obtained with standard cyanidation techniques. The major components of the metallurgical process include autogenous grinding, cyanidation, carbon-in-pulp gold recovery, bullion refining, copper flotation and effluent treatment.

Construction

Capital expenditures prior to start-up in 1983 are estimated to be $143,000,000. Approval of the participants has been received for the expenditure in 1981 of $23,000,000 for the construction of a permanent camp, site roads, water supply and other services. In 1982 all major buildings will be erected and preparation for open pit mining will begin. Equipment for the processing and other service facilities will be delivered and installed in 1983. All construction material for the project will have to be delivered to the site over a winter road.

Road and power

The property is relatively inaccessible with Cochrane, to the southwest, being the nearest community. Agreement in principle has been reached with the Government of Ontario regarding

K. J. Hill
Project Manager
Detour Lake Project

construction of ninety-four miles of road to provide access from the Cochrane-Iroquois Falls area. Completion is expected prior to start-up in 1983.

Negotiations with Ontario Hydro are underway with respect to supplying power to the site. The region currently has sufficient power to supply the mine's needs. At least ninety miles of new line will be required and route alternatives are being studied.

Personnel

At the start of production the operating work force will total 270 and will increase to 490 over a five-year period as open pit mining is augmented and then replaced by underground methods. No townsite is planned at the mine location. Employees will be transported to and from work on a rotational basis. It is expected that most of the personnel will be attracted from Cochrane, Iroquois Falls and Timmins.

OIL AND GAS OPERATIONS

Net proved reserves	
Oil and natural gas liquids — bbls . .	4,718,000
Gas — billion cubic feet	31.2
Land holdings — acres	
Gross working interest	16,320,000
Net working interest	448,000
Gross royalty interest	1,532,000

During the year Campbell diversified into the exploration, development and production of oil and gas in Western Canada. As of July 1, 1980 Campbell acquired a 4 percent working interest in certain producing properties and wells in progress for a total consideration of $33,808,000. Dome Petroleum is the operator of these properties.

In addition, Campbell concluded agreements as of July 1, 1980 and earned a 4 percent interest in all of Dome Petroleum's onshore, non-producing oil and gas lands in Western Canada in return for a commitment to incur and pay $79,584,000 of exploration costs in 1980 and 1981 in a program managed by Dome Petroleum. The area of mutual interest does not include lands in the Arctic Islands and off-shore acreage and the company does not participate in oil sands or other non-conventional oil recovery projects. To December 31, 1980 Campbell had incurred $15,687,000 of the committed exploration expenditures.

The exploration agreement provides that Campbell will contribute its share of future exploration and development costs associated with these properties. Campbell has the right to participate to the extent of 4 percent in future acquisitions of producing or exploration lands by Dome Petroleum in the area of mutual interest.

The agreements by which Campbell obtained its interest contain terms and provisions substantially similar to those by which third parties acquired and hold their respective interests in the same properties. In addition to Dome Petroleum, the other participants include subsidiaries of Dow Chemical of Canada Limited and TransCanada PipeLines Limited.

Exploratory drilling in the Deep Basin area of northwestern Alberta.

Operations

At December 31, 1980 Campbell owned proved reserves of 4,718,000 barrels of oil and natural gas liquids and 31.2 billion cubic feet of natural gas.

At the same date, Campbell held land interests in 16,320,000 gross acres of which 315,000 net working interest acres were Crown leases, 133,000 net acres were mineral title lands and 1,532,000 acres were royalty interest acres. Approximately 76 percent of the net working interest acreage and 25 percent of the net mineral title acreage was in Alberta. Approximately 48 percent of the net mineral title acreage was in Saskatchewan and the balance in Manitoba. Royalty interest acreage is mainly in the Northwest Territories (62 percent) and Alberta (30 percent).

For the six month period ended December 31, 1980, during which Campbell held oil and gas rights, production amounted to 160,713 barrels of oil and 449,467 thousand cubic feet of natural gas. Revenue was $2,481,000 after paymentof royalties while operating income was $1,050,000 after deducting depletion and depreciation costs of $738,000.

Clockwise from bottom left:
R. B. Hutchison, Treasurer; G. S. W. Bruce, Vice-President, Exploration; K. P. Wright, Chief Metallurgist; H. D. Scharf, Controller; C. H. Brehaut, Vice-President, Operations.

National Energy Program

On October 28, 1980, the Federal Government introduced a National Energy Program (NEP). Several features of this program including constrained prices, a wellhead revenue tax, an excise tax on natural gas and natural gas liquids and the phase-out of depletion allowance for most expenditures on provincial lands will have a negative effect on the cash flow and net profits of all companies engaged in the oil and gas industry in Canada.

The anticipated impact of the NEP on Campbell during 1981 will be to reduce operating cash flow from the oil and gas segment of its business from the forecast made prior to the program. Offsetting this impact, additions to Campbell's oil and gas reserves from discoveries have been greater than originally forecast.

The Company is hopeful that the current negotiations between Federal and Provincial officials will result in higher net-backs to the producers in order to create the necessary incentives to develop Canada's great hydrocarbon potentials.

Results of Operations

Earnings increased significantly in 1980 on the strength of record prices for gold bullion. Net income for the year rose to $57,523,000 or $3.60 per share, an increase of 111 percent over the prior year. In 1979, net income of $27,319,000 or $1.71 per share had increased 61 percent from the previous year.

Bullion revenue increased 95 percent from 1979 as the average price realized on sales was $719 per ounce compared to $379 in 1979 and $230 in 1978. During this period the number of ounces produced increased to 189,536 ounces in 1980 from 185,005 ounces in 1979 and 183,546 ounces in 1978.

During 1979 and 1980, the Canadian dollar averaged approximately $0.85 U.S., compared to $0.88 U.S. in 1978. The relatively weaker Canadian dollar during the past two years when compared to 1978 has increased consolidated bullion revenue by approximately 3 percent.

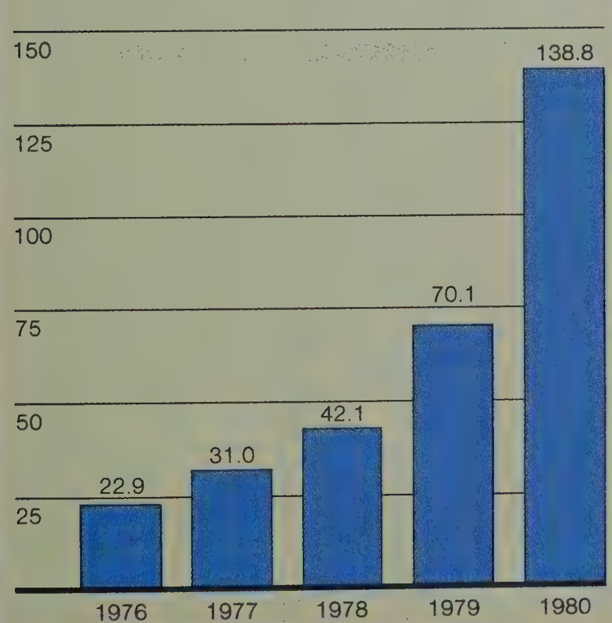
The number of tons milled has remained at approximately the same level for the past three years. In spite of this, mine operating costs rose 26 percent in 1980 and 13 percent in 1979 due to inflationary increases combined with increased underground activity. Cost per ton milled averaged $55.00 in 1980, $44.00 in 1979 and $35.86 in 1978.

Interests in producing oil and gas properties were acquired effective July 1, 1980. Revenue from these properties, after deduction of royalties, amounted to $2,481,000 and operating income before taxes was $1,050,000. Oil and gas activities are described more fully on pages 15 and 16.

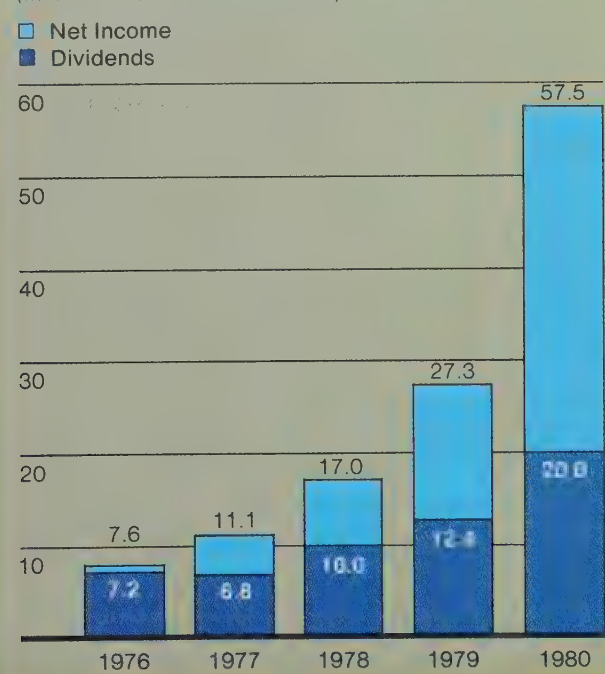
The combined income and mining tax rate was 56.5 percent, down from 57.1 percent in 1979 but up from 52.6% in 1978.

Although the combined statutory rate of federal and provincial income taxes increased in 1980, the effective rate of tax declined from 35.7 in 1979 to 34.0 percent as a result of depletion allowance on expenditures on the mine expansion, the Detour Lake project and oil and gas activities.

Revenue
(in millions of Canadian dollars)



Net Income and Dividends
(in millions of Canadian dollars)



Mining taxes in Ontario are applied on a graduated scale so that higher mine operating income increased the average rate to 24.4 percent from 23.4 percent in 1979 and 20.0 percent in 1978.

Higher interest rates and increased funds available for investment raised interest income 64 percent in 1980 and 115 percent in 1979.

Financial Position

Funds from operations

Increased earnings and the deferral of taxes to future years raised funds provided from operations to $76,644,000, an increase of 173 percent from the prior year. In 1979 funds provided from operations totalled $28,099,000, which was 64 percent higher than the year before.

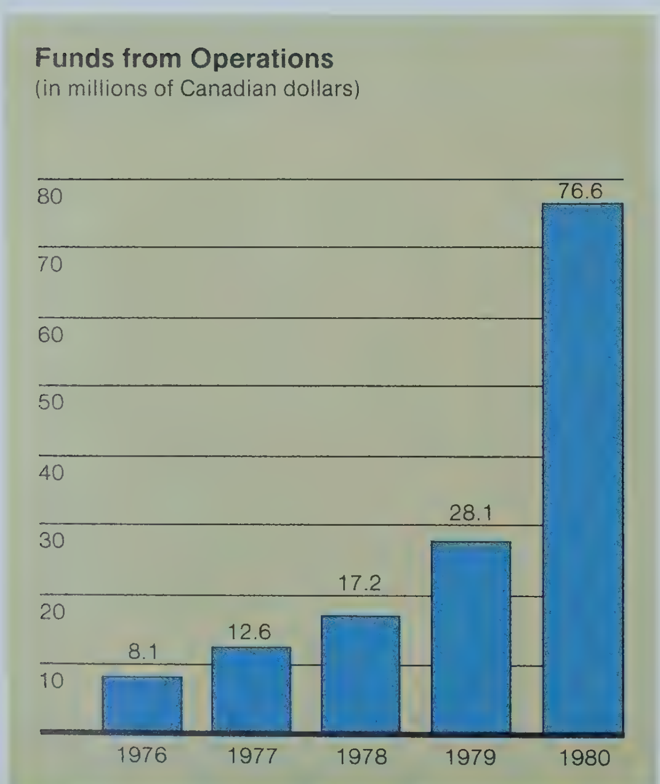
In 1981, funds from operations, which are highly sensitive to fluctuations in bullion prices, are expected to be favourably affected by expanded bullion production and by the deferral of additional taxes. The introduction of the National Energy Program negatively affects the funds that would otherwise have resulted from oil and gas production in 1981.

Dividends

Dividends declared during the year amounted to $19,998,000, or 26 percent of funds generated from operations. In 1979, a total of $12,398,000 was declared representing 44 percent of funds from operations.

Capital resources and liquidity

In the past, the Company has financed its requirements for funds from its own operations. Oil and gas activities and participation in the Detour Lake project will involve significant outlays over the next few years. These commitments are expected to be met with funds generated internally and, where appropriate, from external debt financing.



ACCOUNTING POLICIES

The financial statements of Campbell Red Lake Mines Limited ("Campbell") have been prepared by management in accordance with accounting principles generally accepted in Canada and are also, in all material respects, in conformity with those generally accepted in the United States. The significant accounting policies are as follows:

A. Valuation of inventories

Bullion on hand and in transit is valued at estimated net realizable value.

Mining and milling supplies are valued at cost determined on an average cost basis.

B. Investments

Campbell's parent company, Dome Mines Limited, accounts for its investment in the common shares of Dome Petroleum Limited ("Dome Petroleum") by the equity method. Therefore, Campbell's investment in the common shares of Dome Petroleum is also accounted for by the equity method whereby the investment is carried at cost plus the related share of undistributed earnings since acquisition. The excess of the cost of this investment over the underlying book value at the various dates of acquisition is attributable to Dome Petroleum's oil and gas reserves, and is being amortized to income by reference to annual production in relation to the estimated recoverable reserves.

Short-term commercial paper and marketable securities are valued at the lower of cost and market. Other investments are carried at cost.

C. Property, plant and equipment

(i) Mining —

Mine buildings, machinery and equipment are carried at cost with depreciation provided at the rate of 15% per annum on the straight-line method. Mining claims, properties and townsite land are carried at cost less amounts written off and are being amortized at the rate of 15% per annum on the straight-line method.

Mine exploration, development and preproduction costs on properties with reserves which are potentially economically recoverable are deferred until the start of commercial production and then written off over the estimated economic lives of the properties or producing mines.

Upon sale or retirement, the cost of capital assets and related depreciation or amortization are removed from the accounts and any gain or loss is taken into income. Repairs and maintenance are charged to operations; major betterments and replacements are capitalized.

(ii) Oil and gas —

Oil and gas operations are accounted for by the full-cost method whereby all costs of exploring for and developing oil and gas and related reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expense, costs of drilling both productive and non-productive wells and overhead expense related to exploration activities. Depreciation and depletion are computed on the composite unit-of-production method based on proved reserves of oil and gas. Costs of certain undeveloped properties are excluded from the depletion calculation until the quantities of proved reserves can be ascertained through further exploration. In the calculation, natural gas reserves and production are converted to equivalent barrels of crude oil based on the relative net sales value of each product.

Gains or losses are not recognized upon disposition of oil and gas properties accounted for by the full-cost method. Upon sale or retirement of other assets, the cost and related depreciation and depletion are removed from the accounts and any gain or loss is taken into income. Repairs and maintenance are charged to operations; major betterments and replacements are capitalized.

D. Mining exploration and development

Mining exploration costs incurred prior to the date of establishing that a property has potentially economically recoverable reserves are charged against earnings. On-going development expenditures on producing properties are expensed as incurred.

E. Income and mining taxes

The Company follows the tax allocation method of accounting under which the income tax provision is based on the income reported in the accounts. Under this method, timing differences between accounting income and the amount of income reported for tax purposes result in provisions for deferred taxes. Such timing differences arise principally as a result of claiming depreciation, exploration, development and preproduction costs for tax purposes at amounts differing from those recorded in the accounts.

BALANCE SHEETS
(in thousands of dollars)

	December 31	
ASSETS	**1980**	**1979**
Current assets:		
Cash, including bank term deposits	**$ 71,716**	$54,018
Bullion (note 1)	**5,458**	7,630
Short-term commercial paper		500
Marketable securities	**1,390**	1,494
Sundry receivables	**1,389**	931
Mining and milling supplies	**2,922**	2,446
Total current assets	**82,875**	67,019
Investments:		
Dome Petroleum Limited (note 2)	**12,677**	6,932
Other (note 3)	**13,530**	13,384
	26,207	20,316
Property, plant and equipment (note 6(a))	**69,073**	7,515
	$178,155	$94,850

The Company follows the full-cost meth

(See accompanying accounting polici

AUDITORS' REPORT

To the Shareholders of
Campbell Red Lake Mines Limited:

We have examined the balance sheets of Campbell Red Lake Mines Limited as at December 31, 1980 and 1979 and the statements of income, retained earnings and changes in financial position for the three years ended December 31, 1980. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1980 and 1979 and the results of its operations and the changes in its financial position for the three years ended December 31, 1980 in accordance with generally accepted accounting principles consistently applied.

Toronto, Canada,
March 10, 1981.

Clarkson Gordon
Chartered Accountants

LIABILITIES	December 31 1980	1979
Current liabilities:		
Accounts payable and accrued liabilities —		
Dome Petroleum Limited	$ 9,482	
Other	1,537	$ 1,963
Income and other taxes payable	39,382	22,595
Dividends payable —		
Dome Mines Limited	4,094	3,632
Other shareholders	3,105	2,767
Total current liabilities	57,600	30,957
Deferred income and mining taxes	22,120	2,983
SHAREHOLDERS' EQUITY		
Capital (note 5) —		
Authorized:		
35,000,000 shares without par value		
Issued:		
15,998,000 shares	1,621	1,621
Retained earnings	96,814	59,289
	98,435	60,910
	$178,155	$94,850

ccounting for oil and gas operations.

notes to financial statements)

On behalf of the Board:

Director

Director

STATEMENT OF INCOME
(in thousands of dollars)

	Years ended December 31		
	1980	1979	1978
Revenue	$138,795	$70,055	$42,138
Operating costs	18,139	13,211	11,644
Operating income	120,656	56,844	30,494
Outside mineral exploration	1,879	1,108	756
	118,777	55,736	29,738
Other income (expense):			
Interest	7,660	4,681	2,180
Dividends	1,108	886	1,256
Other	38	(385)	880
	8,806	5,182	4,316
Income before taxes and equity in earnings of Dome Petroleum Limited	127,583	60,918	34,054
Income and mining taxes (note 7)	72,100	34,809	17,910
Income after taxes, before equity in earnings of Dome Petroleum Limited	55,483	26,109	16,144
Equity in earnings of Dome Petroleum Limited (note 2)	2,040	1,210	865
Net income for the year	$ 57,523	$27,319	$17,009
Net income per share	$3.60	$1.71	$1.06

(See accompanying accounting policies and notes to financial statements)

STATEMENT OF RETAINED EARNINGS
(in thousands of dollars)

	Years ended December 31		
	1980	1979	1978
Retained earnings, beginning of year	$ 59,289	$44,368	$37,358
Net income for the year	57,523	27,319	17,009
	116,812	71,687	54,367
Dividends (per share: 1980 — $1.25; 1979 — $0.775; 1978 — $0.625)	19,998	12,398	9,999
Retained earnings, end of year	$ 96,814	$59,289	$44,368

(See accompanying accounting policies and notes to financial statements)

STATEMENT OF CHANGES IN FINANCIAL POSITION
(in thousands of dollars)

	Years ended December 31		
	1980	1979	1978
Source of working capital:			
Operations —			
Net income for the year	$ 57,523	$27,319	$17,009
Items not affecting working capital:			
Depreciation, depletion and amortization	2,024	999	880
Deferred income and mining taxes	19,137	991	144
Equity in undistributed earnings of Dome Petroleum Limited	(2,040)	(1,210)	(865)
Total funds from operations	76,644	28,099	17,168
Disposition of working capital:			
Dividends	19,998	12,398	9,999
Investment in property, plant and equipment (including related party amounts in 1980 of $54,359,000) (notes 4 and 9)	63,582	3,949	519
Investment in shares of Dome Petroleum Limited	3,705	449	
Other investments	146	34	12,666
Total	87,431	16,830	23,184
Net increase (decrease) in working capital for the year	$ (10,787)	$11,269	$ (6,016)
Changes in components of working capital:			
Increase (decrease) in current assets —			
Cash, including bank term deposits	$17,698	$22,275	$16,059
Bullion	(2,172)	1,332	1,947
Short-term commercial paper	(500)	(2,800)	(10,605)
Marketable securities	(104)	(98)	(200)
Sundry receivables	458	340	14
Mining and milling supplies	476	519	1
	15,856	21,568	7,216
Increase (decrease) in current liabilities —			
Accounts payable and accrued liabilities	9,056	972	(45)
Income and other taxes payable	16,787	9,327	10,078
Dividends payable	800		3,199
	26,643	10,299	13,232
Net increase (decrease) in working capital for the year	(10,787)	11,269	(6,016)
Working capital, beginning of year	36,062	24,793	30,809
Working capital, end of year	$25,275	$36,062	$24,793

(See accompanying accounting policies and notes to financial statements)

NOTES TO FINANCIAL STATEMENTS

1. Bullion

Bullion on hand and in transit is valued at $704 (Cdn.) per ounce (1979 — $612 per ounce).

2. Dome Petroleum Limited

Campbell owns 0.9% (1979 — 0.8%) of the common shares of Dome Petroleum Limited and its parent and associated companies own 24.8% (1979 — 24.8%) of the common shares.

Details of Campbell's investment in Dome Petroleum accounted for by the equity method are as follows:

	1980	1979
	(in thousands of dollars)	
Number of common shares	**463,000**	408,800
Carrying value:		
Cost of acquisition	**$ 6,922**	$3,217
Equity in undistributed earnings	**5,755**	3,715
	$12,677	$6,932
Market value (which is not necessarily indicative of realizable value)	**$33,047**	$22,126

The unamortized excess of the cost of the investment over the underlying book value at the various dates of acquisition is $4,157,000 (1979 — $1,480,000).

3. Other investments

Details of other investments are as follows:

	1980	1979
	(in thousands of dollars)	
With a quoted market value —		
Denison Mines Limited, 738,720 common shares (market value — $42,107,000; 1979 — $27,702,000)	**$12,590**	$12,590
With no quoted market value —		
Panarctic Oils Ltd., 186,903 common shares	**637**	594
Sundry	**303**	200
Total	**$13,530**	$13,384

4. Oil and gas properties

Effective July 1, 1980 the Company acquired for cash from Dome Petroleum a 4 percent interest in the oil and gas rights to certain producing properties and wells in progress located principally in Western Canada at a cost of $33,808,000. In addition, Campbell earned a 4 percent interest in other non-producing properties located principally in Western Canada in return for a commitment to incur and pay $79,584,000 of exploration costs in a program managed by Dome Petroleum. To December 31, 1980 the Company had incurred $15,687,000 of the committed exploration expenditures.

Under the terms of the agreements, Campbell has the right to participate in further exploration and development work to maintain its interest and to participate in further on-shore acquisitions by Dome Petroleum.

5. Capital

Effective May 6, 1980 the authorized capital of the Company was increased from 16,000,000 shares without par value to 35,000,000 shares without par value.

6. Business segments

The Board of Directors has determined that mining and oil and gas exploration and production are the business segments of the Company. The Company's activities are carried out principally in Canada. Selected financial information by business segment is summarized below.

(a) Total assets at December 31 are summarized as follows:

	1980	1979
	(in thousands of dollars)	
Mining —		
Buildings, machinery and equipment	$ 23,334	$15,982
Less accumulated depreciation	12,215	11,054
	11,119	4,928
Land, mining claims and properties	286	346
Deferred exploration and development costs	4,360	401
	15,765	5,675
Current assets	9,769	11,007
	25,534	16,682
Oil and gas —		
Property, plant and equipment	54,046	1,840
Less accumulated depreciation and depletion	738	
	53,308	1,840
Assets not allocated to business segments —		
Current assets	73,106	56,012
Investments	26,207	20,316
Total assets	$178,155	$94,850

(b) Expenditures on property, plant and equipment during the year are summarized as follows:

	1980	1979	1978
	(in thousands of dollars)		
Mining	$11,376	$3,949	$519
Oil and gas	52,206		
	$63,582	$3,949	$519

(c) Revenue, operating costs and operating income by segment are as follows:

	1980	1979	1978
	(in thousands of dollars)		
Mining —			
Bullion revenue	**$136,314**	$70,055	$42,138
Operating costs:			
Mine, mill and plant	**12,777**	10,184	8,907
General and administrative	**2,645**	2,028	1,857
Depreciation and amortization	**1,286**	999	880
	16,708	13,211	11,644
Segment operating income	**119,606**	56,844	30,494
Oil and gas —			
Revenue	**2,481**		
Operating costs:			
Operations	**549**		
General and administrative	**144**		
Depreciation and depletion	**738**		
	1,431		
Segment operating income	**1,050**		
Total operating income	**120,656**	56,844	30,494
Outside mineral exploration	**(1,879)**	(1,108)	(756)
Other income	**8,806**	5,182	4,316
Income and mining taxes	**(72,100)**	(34,809)	(17,910)
Equity in earnings of Dome Petroleum Limited	**2,040**	1,210	865
Net income	**$ 57,523**	$27,319	$17,009

7. Income and mining taxes

(a) Income and mining taxes expense is as follows:

	Current	Deferred	Total
	(in thousands of dollars)		
1980			
Federal income	**$19,905**	**$11,995**	**$31,900**
Provincial income	**5,999**	**5,456**	**11,455**
Provincial mining	**27,059**	**1,686**	**28,745**
	$52,963	**$19,137**	**$72,100**
1979			
Federal income	$15,630	$688	$16,318
Provincial income	5,174	284	5,458
Provincial mining	13,014	19	13,033
	$33,818	$991	$34,809
1978			
Federal income	$ 8,929	$ 98	$ 9,027
Provincial income	2,882	46	2,928
Provincial mining	5,955		5,955
	$17,766	$144	$17,910

(b) The difference between the combined federal and provincial basic statutory rates and that used in calculating the income and mining taxes expense is as follows:

	1980	1979	1978
Income taxes —			
Basic statutory rate (combined)	**50.9%**	49.0%	48.8%
Less:			
Resource allowance	**9.1**	8.2	8.1
Depletion	**7.0**	4.3	4.1
Exempt income*	**0.5**	0.7	1.1
Sundry	**0.3**	0.1	0.4
	16.9	13.3	13.7
Effective rate	**34.0**	35.7	35.1
Mining taxes —			
Average rate on mining income	**24.4**	23.4	20.0
Reduction for income not subject to mining taxes	**1.9**	2.0	2.5
Effective rate	**22.5**	21.4	17.5
Combined income and mining tax rate	**56.5%**	57.1%	52.6%

* Principally dividends from Canadian corporations.

(c) Deferred taxes arising from the deduction for tax purposes of amounts in excess of depreciation, depletion and amortization expensed in the accounts are as follows:

	1980	1979	1978
	(in thousands of dollars)		
Capital cost allowance	**$ 2,357**	$838	$144
Exploration and development costs	**15,503**	196	
Other	**1,277**	(43)	
	$19,137	$991	$144

8. Pension plans

Substantially all employees are eligible for and are members of pension plans which require contributions by the Company. Pension costs are calculated and funded based on actuarial estimates. At December 31, 1980 there are no unfunded past service liabilities. Pension expense was $162,000 for 1980, $289,000 for 1979 and $113,000 for 1978.

Vested and non-vested benefits under the plans and the net assets available for plan benefits are as follows:

	December 31	
	1980	1979
	(in thousands of dollars)	
Actuarial present value of accumulated plan benefits, using an assumed discount rate of 5.5 percent:		
Vested benefits	**$1,856**	$1,463
Non-vested benefits	**67**	34
	$1,923	$1,497
Net assets available for plan benefits	**$1,923**	$1,551

9. **Related party transactions**
During the year a total of $54,481,000 was paid to related parties. In addition to the transactions described in note 4, a company controlled by a Director of Campbell received $2,256,000 for performing exploration and development work.

10. **Oil and gas producing activities**
The following information summarizes the oil and gas producing activities of Campbell in Canada and its proportionate share of equity accounted investee, Dome Petroleum.

(a) **Capitalized costs**

	December 31	
	1980	**1979**
	(in thousands of dollars)	
Campbell —		
Proved and unproved properties	**$54,046**	$1,840
Accumulated depreciation and depletion	**738**	
	$53,308	$1,840
Equity accounted investee —		
Proved and unproved properties (net)	**$26,959**	$11,949

(b) **Costs incurred** (capitalized and expensed)

	1980	**1979**	**1978**
	(in thousands of dollars)		
Campbell —			
Property acquisitions	**$31,874**	—	—
Exploration	**19,869**	—	—
Development	**463**	—	—
Production	**549**	—	—
Depreciation and depletion	**738**	—	—

Equity accounted investee —

	CANADA			UNITED STATES			TOTAL		
	1980	1979	1978	**1980**	1979	1978	**1980**	1979	1978
				(in thousands of dollars)					
Property acquisitions	**$6,121**	$4,157	$387	**$1,790**	$193	$ 47	**$7,911**	$4,350	$434
Exploration	**3,496**	1,171	708	**379**	276	138	**3,875**	1,447	846
Development	**1,829**	1,158	502	**362**	174	48	**2,191**	1,332	550
Production	**516**	205	153	**96**	8	6	**612**	213	159
Depreciation and depletion	**448**	260	72	**100**	33	14	**548**	293	86

(c) **Revenue, net of royalties and lifting costs**

	CANADA			UNITED STATES			TOTAL		
	1980	1979	1978	**1980**	1979	1978	**1980**	1979	1978
				(in thousands of dollars)					
Campbell	**$1,932**	—	—	—	—	—	**$1,932**	—	—
Equity accounted investee	**$2,664**	$1,335	$722	**$283**	$31	$16	**$2,947**	$1,366	$738

QUARTERLY FINANCIAL INFORMATION

Summarized unaudited quarterly financial data for 1980 and 1979 is as follows:

	Quarters Ended				Full
	March 31	June 30	Sept. 30	Dec. 31	Year
	(in thousands except per share)				
1980					
Revenue	$34,349	$25,472	$42,092	$36,882	$138,795
Operating income	$30,406	$21,459	$37,330	$31,461	$120,656
Net income	$13,554*	$10,974*	$17,636*	$15,359	$ 57,523
Net income per share	$0.85*	$0.69*	$1.10*	$0.96	$3.60
1979					
Revenue	$14,350	$12,660	$16,709	$26,336	$ 70,055
Operating income	$11,162	$ 9,272	$13,539	$22,871	$ 56,844
Net income	$ 4,961	$ 5,006	$ 6,716	$10,636	$ 27,319
Net income per share	$0.31	$0.31	$0.42	$0.67	$1.71

*Restated to reflect the change in the method of capitalizing interest by Dome Petroleum Limited.

FINANCIAL REPORTING AND CHANGING PRICES

Over the past few years, accounting bodies in Canada and the United States have been developing standards for disclosing the effects of changing prices and inflation on business operations.

In the United States, FASB Statement No. 33 requires large companies to disclose supplementary information prepared on both a historical cost/constant dollar basis and a current cost basis. Statement No. 39 applies the requirements for the measurement of current costs and related expenses to the mineral resource assets of mining and oil and gas companies. In addition, mining companies are required to present estimates of significant quantities of proved, or proved and probable, mineral reserves, commercially recoverable minerals, quantities produced and selling prices.

In Canada, the Canadian Institute of Chartered Accountants (CICA) has received a number of responses to its December, 1979 exposure draft on current cost accounting. Task forces were established to deal with current cost issues relating to specialized industries, including mining and oil and gas, and reports from each of these have been submitted. The responses and submissions are currently being reviewed and recommendations from the CICA will likely be issued during 1981.

The proposals of the CICA are expected to differ from those in FASB Statements No. 33 and No. 39 in the United States. In view of this, the Company will review during 1981 the alternatives available so as to determine the most appropriate presentation for disclosing as supplementary information the effects of changing prices and inflation on its operations.

SUPPLEMENTARY OIL AND GAS INFORMATION

Oil and gas reserves

Net proved reserves of oil and gas as defined by the United States' Securities and Exchange Commission (SEC) and as determined by the engineers of Dome Petroleum are presented below.

In the following tables, oil (including natural gas liquids) is stated in thousands of barrels and gas in billions of cubic feet.

Details of net proved reserves acquired by Campbell effective July 1, 1980 together with changes for the six month period to December 31, 1980 are as follows:

	Canada	
	Oil	Gas
Proved developed and undeveloped reserves:		
Purchases of minerals-in-place, July 1, 1980	4,860	31.1
Extensions, discoveries and other additions	19	0.6
Production	(161)	(0.5)
Proved developed and undeveloped reserves, December 31, 1980	4,718	31.2
Proved developed reserves, December 31, 1980	3,648	17.0

Campbell's proportionate interest in the proved developed and undeveloped reserves of Dome Petroleum, which is accounted for by the equity method, is as follows:

	Canada		United States		Total	
	Oil	Gas	Oil	Gas	Oil	Gas
December 31, 1980	1,960	15	115	1	2,075	16
December 31, 1979	1,124	13	38	—	1,162	13
December 31, 1978	986	11	22	—	1,008	11

Estimated future net revenues and the present value thereof

Estimated future net revenues from estimated production of proved and proved developed oil and gas reserves and the present value of such estimated future net revenues as determined by the engineers of Dome Petroleum are set forth below. In computing future net revenues, oil and gas prices used were equal to the actual year end prices with no provision for future increases. Future expenditures for both developing and producing the proved reserves are included in the calculations based on costs incurred in 1980 for similar activities. In determining the present value of estimated future net revenue, an annual discount factor of 10 percent was applied. Assumptions for prices, costs and the discount factor are based on guidelines issued by the SEC.

Estimated future net revenues in thousands of dollars are as follows:

	Canada	
	Proved	Proved Developed
1981	$ 7,286	$ 5,366
1982	6,806	4,931
1983	6,412	4,586
1984 and subsequent	57,674	39,484
	$78,178	$54,367
Present value as at December 31, 1980	$41,958	$29,542

In the opinion of Management, the present value as defined should not be construed as the fair market value of Campbell's oil and gas properties. Future prices and costs under present economic conditions are not expected to remain at December 31, 1980 levels and the 10 percent discount factor is arbitrary.

Campbell's proportionate interest in the present value of estimated future net revenues of Dome Petroleum in thousands of dollars is as follows:

	Canada		United States		Total	
	Proved	Proved Developed	Proved	Proved Developed	Proved	Proved Developed
December 31, 1980	$28,671	$16,013	$4,729	$4,247	$33,400	$20,260
December 31, 1979	15,858	9,317	1,739	959	17,597	10,276

Reserve Recognition Accounting

The SEC has concluded that the traditional methods of accounting (i.e. full cost or successful efforts) fail to provide sufficient information to disclose operating results of oil and gas producers. As a result, SEC regulations require that Campbell prepare supplemental information which reports oil and gas producing activities in accordance with a method of accounting called Reserve Recognition Accounting (RRA).

Under the RRA method of accounting a value is ascribed to reserves of oil and gas at the time of discovery rather than at the time of production and reserves are recorded as assets. Income is based on the present value of the estimated future net revenue stream. The RRA presentations are based on uniform assumptions to be applied by all oil and gas producers.

The following information summarizes oil and gas producing activities of Campbell on the basis of RRA from the effective date of acquisition of the properties, July 1, 1980 to December 31, 1980 in thousands of dollars:

Additions to proved reserves:	
New field discoveries and extensions	$ 269
Amortization of deferred gain*	387
	656
Related exploration and development costs incurred:	
Acquisition of unproved properties	1,250
Exploration	19,869
Development	117
Deferred costs	(21,119)
	117
RRA income before income taxes	539
Provision for income taxes	279
Results of oil and gas activities following RRA	$ 260

* During 1980, Campbell purchased for $29,081,000 proved oil and gas reserves which had a present value of estimated future net revenues of $43,621,000. The excess of the present value of estimated future revenues over the purchase price is being amortized over the lives of the related properties.

On the basis of RRA, the change in the valuation of Campbell's proved reserves of oil and gas in thousands of dollars, is as follows:

RRA valuation of proved reserves acquired July 1, 1980	$43,621
New field discoveries and additions	269
Production, net of lifting costs	(1,932)
RRA valuation of proved reserves, December 31, 1980	$41,958

Campbell's proportionate interest in the results of the oil and gas activities of Dome Petroleum on the basis of RRA was $1,832,000 in 1980 and $1,949,000 in 1979.

FIVE YEAR REVIEW

	1980	1979	1978	1977	1976
Financial					
(in thousands of dollars except per share)					
Revenue	**$138,795**	$70,055	$42,138	$31,045	$22,870
Operating costs	**18,139**	13,211	11,644	10,659	9,475
Operating income	**120,656**	56,844	30,494	20,386	13,395
Outside mineral exploration	**1,879**	1,108	756	738	654
	118,777	55,736	29,738	19,648	12,741
Other income	**8,806**	5,182	4,316	2,385	2,474
Income before the following	**127,583**	60,918	34,054	22,033	15,215
Income and mining taxes	**72,100**	34,809	17,910	11,671	8,012
Income before equity of affiliate	**55,483**	26,109	16,144	10,362	7,203
Equity in earnings of affiliate	**2,040**	1,210	865	767	370
Net income for the year	**$ 57,523**	$27,319	$17,009	$11,129	$ 7,573
Net income per share*	**$3.60**	$1.71	$1.06	$0.70	$0.47
Dividends declared	**$19,998**	$12,398	$9,999	$6,799	$7,199
Dividends per share*	**$1.25**	$0.77½	$0.62½	$0.42½	$0.45
Working capital	**$25,275**	$36,062	$24.793	$30,809	$27,368
Total assets	**$178,155**	$94,850	$68,639	$48,253	$41,611
Additions to fixed assets	**$63,582**	$3,949	$519	$503	$857
Shareholders' equity	**$98,435**	$60,910	$45,989	$38,979	$34,649
Shares outstanding*	**15,998,000**	15,998,000	15,998,000	15,998,000	15,998,000
Number of shareholders	**9,202**	7,547	6,725	6,697	7,396

* Restated to reflect the two for one share split May 18, 1979.

	1980	1979	1978	1977	1976
Operations					
Mining —					
Tons milled	**304,000**	300,000	301,000	297,000	301,000
Fine ounces	**189,536**	185,005	183,546	191,031	184,610
Ore reserves (000's of tons)	**2,250**	1,977	1,899	1,856	1,734
Revenue per ounce	**$719.20**	$378.66	$229.58	$162.51	$123.88
Operating cost per ounce	**$88.15**	$71.41	$63.44	$55.80	$51.33
Operating cost per ton	**$55.00**	$44.00	$38.75	$35.86	$31.53
Number of employees	**382**	342	338	334	342
Oil and gas —					
Production					
Oil and gas liquids — bbls	**160,713**				
Gas — mcf	**449,467**				
Reserves (000's)					
Oil and gas liquids — bbls	**4,718**				
Gas — mmcf	**31.2**				

GOLD PRICE

LONDON DAILY 2nd FIXING – U.S. DOLLARS

SHARE INFORMATION

Principal Markets for Company's Shares

The New York Stock Exchange and The Toronto Stock Exchange are the principal markets in which the Company's shares are traded (Stock symbol: CRK). Shown below are the high and low sale prices for the Company's shares on these exchanges for the periods indicated.

New York Stock Exchange	1980		1979	
(United States Dollars)	High	Low	High	Low
First Quarter	$39⅞	$25	$17¾	$14½
Second Quarter	52½	26¾	20⅛	15¼
Third Quarter	82	50	25½	17
Fourth Quarter	78½	49⅝	29¼	19

Toronto Stock Exchange	1980		1979	
(Canadian Dollars)	High	Low	High	Low
First Quarter	$45¼	$32	$21⅛	$17⅜
Second Quarter	59½	32¼	24	17¾
Third Quarter	94¾	58	29⅜	20½
Fourth Quarter	91	60¼	33⅞	22¼

Shareholders

As at December 31, 1980 there were 15,998,000 common shares issued and outstanding. The Company's records indicate that there were 9,202 shareholders at year end. There are no limitations on the right of non-residents to hold or vote on the shares of the Company.

Dividends

The dividends declared in Canadian dollars on the Company's shares for each quarterly period during 1980 and 1979 are shown below.

	1980			1979		
	Regular	**Extra**	**Total**	Regular	Extra	Total
First Quarter	**$0.20**	**$0.10**	**$0.30**	$0.10		$0.10
Second Quarter	**0.25**		**0.25**	0.12½		0.12½
Third Quarter	**0.25**		**0.25**	0.15		0.15
Fourth Quarter	**0.25**	**0.20**	**0.45**	0.15	$0.25	0.40
Total	**$0.95**	**$0.30**	**$1.25**	$0.52½	$0.25	$0.77½

A quarterly dividend of $0.25 per share was declared by the Board of Directors on March 18, 1981 payable May 25, 1981 to shareholders of record April 27, 1981.

The Company has paid dividends since 1953 and expects to continue to do so. However, the decision to pay dividends is at the discretion of the Board of Directors and is governed by such factors as earnings, capital requirements and the operating and financial condition of the Company.

Dividends are declared in Canadian dollars. However, at the request of the shareholder an equivalent amount will be paid in United States funds.

Cash dividends paid to non-residents of Canada are subject to Canadian withholding taxes. For shareholders resident in the United States the current rate of withholding tax is 10 percent.

DIRECTORS AND OFFICERS

DIRECTORS

Malcolm A. Taschereau,
Chairman and President,
Toronto, Ontario
President, Dome Mines Limited

Fraser M. Fell, Q.C.,
Secretary,
Toronto, Ontario
Partner, Fasken & Calvin

*__William F. James,__
Toronto, Ontario
Partner, James & Buffam

•**John K. McCausland,**
Toronto, Ontario
Retired Vice-President,
Wood Gundy Limited

*__James S. Redpath,__
North Bay, Ontario
President,
J. S. Redpath Limited

* Audit Committee Member
• Deceased in 1980

OFFICERS

Malcolm A. Taschereau,
Chairman and President

C. Henry Brehaut,
Vice-President, Operations

G. S. Wallace Bruce,
Vice-President, Exploration

Fraser M. Fell, Q.C.,
Secretary

John W. W. Hick,
Assistant Secretary

John H. Hough,
Assistant Secretary

Robert B. Hutchison,
Treasurer

Keith H. Newman,
General Superintendent

Stewart M. Reid,
Manager

H. Douglas Scharf,
Controller

Kenneth P. Wright,
Chief Metallurgist

CORPORATE

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Toronto, Ontario
M5X 1H1
(416) 364-3453

Location of Mine
Township of Balmer,
Red Lake Mining Division, Ontario
(Post Office: Balmertown, Ontario
P0V 1C0)

Address of the Secretary
Box 30,
Toronto-Dominion Centre,
Toronto, Ontario
M5K 1C1

Registrars
Canada Permanent Trust Company,
320 Bay Street,
Toronto, Ontario
M5H 2P6

The Toronto-Dominion Bank
Trust Company,
45 Wall Street,
New York, N.Y. 10005

Auditors
Clarkson Gordon,
Toronto, Ontario

General Counsel
Fasken & Calvin,
Toronto, Ontario

Transfer Agents
The Royal Trust Company,
Box 7500,
Toronto-Dominion Centre,
Toronto, Ontario
M5W 1P9

The Bank of New York,
48 Wall Street,
New York, N.Y. 10015

Annual Report

Copies of the Annual Report of the Company are available by writing to The Royal Trust Company, Box 7500, Toronto-Dominion Centre, Toronto, Ontario M5W 1P9.

Form 10-K

Copies of the Annual Report on Form 10-K filed with the Securities and Exchange Commission of the United States are available by writing to The Secretary, Box 30, Toronto-Dominion Centre, Toronto, Ontario, Canada, M5K 1C1.

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